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AUTHOR Marinelli, Joseph J.
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ABSTRACT

Discussed are critical issues in the financing of educational programs for handicapped persons. Criticial issues are traced to three conditions: the need for educational programs and services for the handicapped who are presently unserved or inappropriately served; legislative and constitutional guarantees of equal educational opportunities; and an economy which necessitates the maximizing of educational resources. The above conditions are considered in relation to the level of state funding of programs and services, federal and state reimbursement formulas, the costs of special education for the handicapped, and the federal government's role in financing programs and services. It is suggested that issues related to the education of the handicapped be resolved on the basis of such factors as the following: the elimination of practices whereby states only partially fund the educational costs for handicapped children, concomitant with a careful auditing of costs of educating such children in private institutions; and the realization by states that the federal government's reimbursement to the state for educating the handicapped child will be increasing, but will not be large enough to remove the need to make critical choices and set educational priorities before educational resources are allocated. (GW)

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CRITICAL ISSUES IN THE FINANCING OF EDUCATION FOR THE HANDICAPPED*

Joseph J. Marinelli

National Level Intern with the Governmental Relations Unit, The Council for Exceptional Children, sponsored by the University Council for Educational Administration.

INTRODUCTION

A discussion of the critical issues in the financing of education for the handicapped by the education and finance communities could not occur at a more critical juncture in the history of education than the present. The need for special education programs and services and the constitutional guarantees supporting the establishment and maintenance of such programs and services have been documented.

The Need

The handicapped are those who, because of mental, physical, emotional or learning problems, require special education and related services. Their number is estimated to be seven million, one million of whom receive no educational services at all.[1] Further, only 40 percent of these children are presently receiving the services they need.[2] The most recent surveys documented by the Rand Corporation[3] indicate that the total estimated expenditures on the education of handicapped youth were approximately $2.7 billion (See Table I). It is

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Table I

TOTAL SPECIAL EDUCATION EXPENDITURES BY TYPE OF HANDICAP

Type of Handicap	State and Local ($ million)	Federal ($ million)	Total ($ million)	Per Child Served ($)
Mentally retarded, trainable	260.0	45.5	305.5	2064
Mentally retarded, educable	840.0	75.9	915.9	1217
Hard of hearing	55.0	13.6	68.6	1247
Deaf	91.0	42.5	133.5	4767
Speech impaired	251.0	21.8	272.8	197
Visually impaired	66.0	19.2	85.2	3043
Emotionally disturbed	258.0	35.0	293.0	1472
Crippled	210.0	10.0	220.0	1718
Learning disabled	250.0	32.1	282.1	1227
Other health impaired	84.0	19.2	103.2	1086
Total	2364.0	314.9	2678.9	879

Source: James Kakalik et al., Services for Handicapped Youth: A Program Overview, (Santa Monica, Ca.: Rand Corp., 1973), Table 6.16, p. 124.

Table II

INCREASE IN SPECIAL EDUCATION EXPENDITURES NEEDED TO SERVE ALL HANDICAPPED YOUTH

Type of Handicap	Incremental Number	Incremental Expenditures ($ million)
Mentally retarded	289,000	393
Hard of hearing	204,000	254
Deaf	11,000	52
Speech impaired	423,000	83
Visually impaired	24,000	73
Emotionally disturbed	835,000	1229
Crippled	(a)	(a)
Learning disabled	287,000	352
Other health impaired	36,000	52
Total	2,109,000	2468

[a]Crippled are included with "other health impaired."

Source: James Kakalik et al., Services for Handicapped Youth: A Program Overview, (Santa Monica, Ca.: Rand Corp., 1973), Table 6.17, p. 125.

estimated that to provide appropriate elementary and secondary education to all handicapped youth aged 5 to 17 at present service quality levels, $2.5 billion per year would have to be added to special education expenditures [4] (See Table II).

Constitutional Guarantees

The Fourteenth Amendment to the U.S. Constitution guarantees to all the people the equal protection of the laws, and the equal protection clause has been applied in Pennsylvania Association for Retarded Children v. Commonwealth of Pennsylvania,[5] Mills v. Board of Education of District of Columbia[6] and other orders to prevent the denial of public education opportunities to school age handicapped children who could benefit from such education. The application of the equal protection concept to the education of handicapped children has forced a re-examination of the term equal educational opportunity. In the 1960's equal educational opportunity meant "equal access to differing resources for equal objectives." In the 1970's, it has come to mean "equal access to differing resources for differing objectives."[7] In other words, the goals established for each child are different based on each child's needs and potential. The achievement of differing objectives for each child requires varying the amount and mix of resources directed to each child.

Maximizing Resources

The documentation of needs and guarantees comes at a time when economic resources are in short supply. Sufficient economic resources must be allocated to educational institutions for the purchase of adequate and appropriate human and material resources. Those resources must be effectively combined to produce efficient delivery systems, programs and services to insure that the needs of the handicapped are met and their rights are guaranteed.

Public Policy Premises

The position taken by the author on the issues presented in his paper are based on public policy premises that:

(1) the handicapped child possess the same right to an education that is recognized for non handicapped children;

(2) education provided the handicapped must be appropriate in the least restrictive alternative educational placement. This means that "to the maximum extent appropriate, handicapped children, including children in public or private institutions or other care facilities, are educated with children who are not handicapped, and that special classes, separate schooling, or other removal of handicapped children from the regular educational environment occurs only when the nature or severity of the handicap is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily; " [8]
and

(3) education provided the handicapped must be entirely at public expense.

Critical Issues

The critical issues discussed in this paper center around (1) the level of state funding of special education programs and services and constitutional guarantees, (2) distribution formulas and appropriate programming, (3) the costs of education in the least restrictive environment, and (4) federal funding and national goals.

LEVEL OF STATE FUNDING AND CONSTITUTIONAL GUARANTEES

In Brown v. Board of Education of Topeka, the Supreme Court said:

> In these days, it is doubtful that any child may reasonably be expected to succeed in life if he is denied the opportunity of an education. Such an opportunity, where the state has undertaken to provide it, is a right which must be made available to all on equal terms. [9]

Subsequently, this has been interpreted to mean that each handicapped child is insured and equal educational opportunity by the provision of an appropriate education in public or private institutions to meet his or her potential at full public expense not withstanding the wealth of parents or guardians. Funds used for education must be distributed equitably, whereby each child receives an education suited to his needs. In situations where sufficient funds are not available to fully fund all programs and services, funds should be distributed so as to reach at least minimum standards of achievement for each child.

Citations

Judicial rulings in recent years have made it clear that handicapped children of school age, regardless of the degree of mental, physical, or emotional disability, have a right to equal access to public education.[10] Federal legislation has echoed this right.

Included in Public Law 93-380, The Education Amendments of 1974, is a section entitled "National Policy with Respect to Equal Educational Opportunity." It provides that:

> Recognizing that the Nation's economic, political, and social security require a well-educated citizenry, the Congress (1) reaffirms, as a matter of high priority, the Nation's goal of equal educational opportunity, and (2) declares it to be the policy of the United States of America that every citizen is entitled to an education to meet his or her full potential without financial barriers.[11]

In the Mills case, the court dismissed the defendants' argument that there were insufficient funds to pay for the education of the plaintiffs by stating that:

> If sufficient funds are not available to finance all of the services and programs that are needed and desirable in the system, then the available funds must be expended equitably in such a manner that no child is entirely excluded from a

publicly supported education ....

> The inadequacies of the District of Columbia Public School System whether occasioned by insufficient funding or administrative inefficiency, certainly cannot be permitted to bear more heavily on the "exceptional" or handicapped child than on the normal child.[12]

In the P.A.R.C., Mills and Lebanks v. Spears cases,[13] the courts ordered "free" and "public" education and training to assure that parents of handicapped children may not be required to contribute to the costs of the education of their children. State courts which have considered the partial funding issue have ruled uniformly that special education programs must receive full public support and that parents cannot be required to pay for portions of the costs of such programs. A New York court ruled that:

> it would be a denial of the right of equal protection and morally inequitable not to reimburse the parents of a handicapped child for monies they have advanced in order that their child may attend a private school for the handicapped when no public facilities were available while other children who are more fortunate can attend public school without paying tuition and without regard to the assets and income of their parents.[14]

> Furthermore, it is the child who is given the right to an education, not the parent, and his right should not be abridged or limited by the willingness of a parent to become financially liable for the education. To limit the right to an education in this manner would discourage many parents from seeking the appropriate facilities for their child.
>
> While at first blush this may seem like a substantial outlay of funds for one child, when compared with the dollar cost of maintaining a child in an institution all his life or on public assistance the cost is minimal; not to speak of the incalculable cost to society of losing a potentially productive adult.[15]

Since most state constitutional provisions use words such as "free" or "without charge" in describing how the public education system shall be instituted, most "ceiling" limitations, that is, maximum tuition reimbursement grants, placed on the state's financial liability for a child's education are susceptible to challenge

under those state constitutional provisions in addition to their inadequacies under the Federal Constitution.

Such Pennsylvania provisions are being challenged in federal court. In Halderman v. Pittinger:

> The complaint charges that Pennsylvania's statutes and regulations violate the equal protection clause of the Fourteenth Amendment because of the arbitrary and capricious maximum tuition reimbursement grant discriminates against children certified to attend private schools when all other children have the opportunity for a free public education. In addition to this wealth discrimination, a further allegation is that the statutes and regulations violate the due process clause of the Fourteenth Amendment because children whose parents are unable to supplement the tuition grant are deprived of any meaningful opportunity for appropriate education. Finally, the plaintiffs allege that the statutes and regulations violate the Rehabilitation Act of 1973 (87 Stat. 355), which forbids discrimination against any handicapped person in financial assistance. Such a violation is inconsistent with the Supremacy Clause, Article VI, of the United States Constitution.
>
> The plaintiffs are asking that the court (1) declare that the statutes in question violate the equal protection and due process clauses of the Fourteenth Amendment; (2) enjoin the defendants from enforcing the statutes; and (3) order that full reimbursement be made for all plaintiffs insofar as they have been denied or withheld such reimbursement.
>
> The case is pending.[16]

The Practice of Only Partial Funding: An Example

In 40 of the states it is a common practice to utilize private schools and institutions as a means of providing education for some handicapped children. Because of economies of scale, it is not always possible for school boards to operate all the necessary programs. This is not at issue. What is at issue is the interpretation by states of their responsibility toward financing the education of handicapped children who are appropriately placed in private institutions by public educational officials. Some states limit this responsibility to the payment of only tuition charges. This payment generally does not cover all educational and requisite costs. Other states limit payment for each child's education up to an often

arbitrary statutory "ceiling". These ceilings generally do not reflect (1) the different program and service requirements of each child and (2) the different costs per unit between institutions of delivering similar programs and services. In either case, the parent is required to pay a portion of the costs of the child's program. Parents are, in many cases, charged exorbitant rates for supplementary services, room and board.

An example is provided from the state of New Hampshire. According to state law, every handicapped child is entitled to "the best and most effective education possible"[17] and it is the responsibility of the school district to place the child in the most appropriate program, whether or not that program is operated by the school board.[18] The tuition liability of the school district is limited to the state average cost per pupil of current expenses of operation (excluding transportation, capital outlay and debt) of the public schools for the preceeding year.[19] The school board must also furnish suitable transportation, but it shall not exceed the amount equal to the liability of the district for tuition. If the tuition at the public or private facility to which the handicapped child has been assigned exceeds the tuition provided by the child's school district, the State Board of Education is responsible for paying any excess tuition costs.[20] The State Board of Education, however, is only responsible for the handicapped child's excess tuition costs (the cost that exceeds the state average cost per pupil) "when the (legislative) appropriation is sufficient so as not to jeopardize existing obligations undertaken by the State Department of Education in assisting handicapped children currently under special education."[21] In other words, the State Board of Education is only responsible for the excess tuition costs when the Legislature has given them sufficient funds to pay these costs. To date, the Legislature has never provided sufficient funds.[22] The statutes allow the school district to pay for tuition and transportation costs other than the amount specified "when in the judgment of the school board circumstances warrant it."[23]

A situation regarding a retarded child was referred to The Council for Exceptional Children when the child was placed in a private residential institution in New Hampshire. The school district agreed to pay $723 as its tuition liability and $723 for transportation costs as required by state statutes. The school district went on record that the excess cost would not be their responsibility. The excess cost amounted to $425 per month and included educational activities, room and board charges. The parents petitioned the State Department of Education to pay the excess cost, but the request was denied on the grounds that all funds for such purposes had been committed. The parents sought assistance from numerous public and private agencies, and, after exerting much time and energy, received all but $900 of the total annual cost. After several calls by our office to school officials and assistance from a child advocate organization in New Hampshire, the school board broke precedent and paid the cost differential.

Under the circumstances provided in this example, it is not the parent that is opting for other than a publicly provided local education program, it's the state or local education agency that has compelled the parent to obtain education through non public programs. As such the parent is entitled to a free public education for the child.

Implications

In view of the constitutional guarantee cited in this section, the states will be required to assure that there are adequate funds for the education of handicapped children so that a parent or guardian is not charged for the cost of their child's education. To accomplish this, the states may have to increase their budgets for education, reallocate current levels of funding within the total educational budget, or combine the above, and carefully examine how efficiently current allocations of resources are being consumed.

A requisite of the above options will be a careful auditing by the state of the budgets of private and public residential institutions to insure that they are truly charging the state an honest price for a child's education and training. From an economic standpoint, states may want to reexamine the validity of continuing to send children to private institutions against the feasibility of developing and maintaining state and/or district operated programs.

DISTRIBUTION FORMULAS AND APPROPRIATE PROGRAMMING

All states have some legal provision for reimbursement to local school districts for services to handicapped children beyond the general school reimbursement.

In recent years, the impact of specific or categorical reimbursement patterns has generated a great deal of attention. At issue is the impact of such reimbursement patterns on programs and services for handicapped children. Do such patterns promote or support appropriate or inappropriate programs and services for handicapped children? On the basis that each handicapped child should be educated in his or her least restrictive environment, the manner in which funds are allocated should not dictate the provision of services and should not reward inappropriate services. Some evidence, however, has been found which indicates that inappropriate programs and services have been fostered.

Therefore, a review of the impact of reimbursement patterns on special education programming should serve as a caution to financial planners.

Two reimbursement formulas that provide funds to special education are particularly noteworthy: (1) "excess cost"; and (2) the "weighted" system found in a general educational finance formula.

Excess Cost Pattern

The excess cost pattern of funding special education exists in several states and is being considered by a number of others. In addition, a Senate bill in the 94th Congress, S. 6, "The Education of All Handicapped Act" would provide financial assistance to the states for improved educational services for handicapped children. The bill would provide to each state 75 percent of the excess cost of educating handicapped children. Excess cost is defined in the bill as that

> amount by which the per pupil expenditure for handicapped children 21 years of age or younger exceeds the per pupil expenditure for all other children, aged five to 17 years, inclusive, in the public elementary and secondary schools in that state multiplied by the number of handicapped children 21 years of age or younger for which the state is, in the academic year preceding the fiscal year for which the determination is made, providing free appropriate public education.[24]

A criticism of the excess cost formula is that the formula would not only encourage the improper labeling of children as "handicapped," but also that there is great variability among the states in the manner of determining a child's eligibility for special educational services. The bill ties Federal payments to the identification of children served by state agencies. On the other hand, proponents of the excess cost bill assert that due process guarantees and requirements for establishing an individual program prescription for each child, which are written into the bill, avoid this pitfall.

Another criticism[25] of the excess cost formula is that accounting procedures necessary to calculate excess cost are presently beyond the capability of school districts. Common accounting procedures do not currently exist between the states. It would require the maintenance of two sets of books or require states and districts to adopt federal procedures in order to maintain only one accounting procedure.

Proponents of excess cost argue, on the other hand, that it would serve as an incentive for the more accurate determination by districts of program costs, a necessary step for examining the efficient use of resources. A document titled "Financial Accounting for Local and State School Systems" could serve as the federal standard for cost accounting procedures.[26]

Weighted Pattern

A state may elect to fund programs by using a system of weights in its education finance framework. This also recognizes that the costs of such programs and services to the handicapped are greater than the cost of educating the "normal child" in basic programs.

The 1973 Florida Legislature passed an educational funding bill to upgrade the historic Minimum Foundation Program and include a system of weights. Florida's so-called Strayer-Haig model is (FEFP):

$$S_i = e_i \; u_i - r^* \; v_i$$

S_i= state support for any school district

e_i= an education program in dollar terms. Under the FEFP the base student cost times the program cost factor (weighting) would equal e. Using educable mentally retarded program as an example, $581 (base student cost) x 2.3 (program cost factor) = $1,336.30 (e).

u_i= number of units of educational need. Under the FEFP this will be full-time equivalent students. FTE=

$$\text{Number of students enrolled in program} \times \frac{\text{Number of hours students attend program}}{\text{Number of hours per week a full-time student at that grade level attends school}}$$

r^*= local qualifying rate. The * indicated a constant with each district levying the same number of mills.

v_i= assessed valuation of money exempt property in any county.

In addition to the provision of weighted factors,which recognizes varying program costs, the new law contained other major features:

(1) a change from instructional units to full-time equivalents (FTE) as the basic revenue allocation unit;

(2) substantial school district equalization; and

(3) a comprehensive information system with school-by-school assessment and accounting.

> ... [T]here are fifteen special programs for exceptional students with cost factors varying from 2.3 to 15. The higher cost factors result from standards established in enabling legislation and state board regulations relative to: (1) special diagnostic procedures such as individual psychological examination by a school psychologist; (2) a pupil/teacher ratio much lower than that for regular education so as to permit more individualization of instruction; (3) special equipment and materials such as large type and braille books for the visually handicapped; and (4) ancillary services to supplement the regular or special education class programs and to maintain liaison with community agencies also providing services to the child.[27]

Based on interviews in ten school districts, it was found that the Florida Education Finance Plan affected the (1) assignment of students, (2) assignment of teachers, (3) identification and classification of students, (4) initiation and deletion of special programs, and (5) provisions of programs in sparsely populated regions.[28]

(1) Assignment of Students

(a) There existed a tendency to assign students to full-time self-contained classrooms and away from resource rooms. An exceptional student who is reported in the self-contained special classroom for a full five hours each day counts for a higher weighting. This tendency appears to be contrary to Florida Statutes and the least restrictive environment concept.

(b) There was an increase in special education class size in all districts. For example, speech therapy caseloads had been greatly increased. Many interviewed indicated that small numbers of students were unable to generate enough funds to support a therapist. Others argued, however, that better diagnostic and evaluation services were now available and more students could be identified.

(2) Assignment of Teachers

(a) A trend towards hiring the least expensive teacher seemed to be surfacing.

(b) Since supervisory personnel positions do not generate FTE units, there was concern by supervisors over their job security.

(3) Identification and Classification of Students

(a) Because exceptional students generate more funds than basic classroom students, a majority of diagnostic personnel reported receiving pressure from principals to identify as many students as possible. There was some fear that this may reduce or eliminate the school psychologists' role of assisting the teacher in educational planning and prescriptive teaching. School psychologists did not have time to re-evaluate students placed in special programs.

(b) The deadline for the initial FTE count was too early in the school year for the homebound program and to allow for adequate and careful diagnosis and evaluation of students. Some reported that students were placed on special education membership roles only after preliminary screening.

(c) There existed an increased incentive to assign borderline students to the highest weighted category.

(4) Initiation and Deletion of Special Programs

(a) Severely handicapped students (deaf, severely emotionally disturbed, crippled, multi-handicapped) that require small caseload support services and teacher aides were not generating enough funds to support their program. Consequently, there has been a decrease in the number of special programs and a corresponding increase in class size resulting in inappropriate placements.

(b) Adequate funds were not provided for new program start-up costs to purchase equipment and materials.

(c) Only direct pupil contact time generates FTEs. Time for travel and materials preparation is not counted. The reduction in pupil contact time caused by travel and materials preparation prohibited the generation of sufficient funds to support homebound instruction, itinerant programs for the visually handicapped, and speech therapy.

(5) Provision of Programs in Sparsely Populated Regions

In small districts low incidence exceptionalities did not generate sufficient funds to support a class.

Several recommendations were drawn from these findings about Florida's weighted system of funding. These recommendations should serve as guidelines when developing or improving this type of reimbursement pattern. (1) Criteria and procedures for identification and placement must be developed by states and districts which guarantee appropriate placement in the least restrictive environment as determined in concert with due process procedures. This may require state and local level monitoring by governmental agencies and advocacy groups. (2) State regulations should insure a reasonable maximum class size for each area of exceptionality. (3) Unique staffing patterns should be tested to insure that highly trained teachers and supervisors do not fall victim to state funding systems that do not consider the training and experience of teachers in the distribution formula. (4) Establish practical reporting dates of special education membership for funding purposes to insure sufficient time for the proper referral, identification, evaluation and assignment of students. (5) Consider the cumulative counting over a period of time of students receiving homebound instruction in order to generate sufficient funding. (6) If an educational plan were drawn up for each exceptional child, this could serve as a basis for monitoring to insure that the student is receiving appropriate services in the most appropriate setting. (7) Due to the difficulty in accounting for dollars generated on a school-by-school basis, it may be well to provide flexibility by tracking dollars on a district-wide basis. (8) Cost indices for low incidence exceptionalities should be high enough to generate sufficient funds to operate a program within a single district or encourage multi-district programs to enable the most efficient use of resources (economies of scale). (9) Implementation funds should be provided to aid in the development of new district programs.

(10) Consider the inclusion of teacher travel time, parent and teacher contact hours, and instructional materials preparation in the computation of FTEs. or increase the weightings for the homebound and itinerant visually handicapped categories. (11) Consider the separate funding of support services to ensure proper diagnosis and assessment, casework, audiological services, development of specialized instructional materials and consultative services.

Other Reimbursement Patterns

In addition to the excess cost and weighted patterns of reimbursement, problems have been encountered when other reimbursement patterns have been used. [29]

Some states,which reimburse on a unit basis, define the unit as a certain number of children assigned to a special class. This has promoted the development of special classes and has made resource room program or special assistance in the regular classroom extremely difficult to reimburse.

Straight sum reimbursement often have little relationship to realistic program costs. In many cases if a state reimburses a local district $200 per handicapped child, that child may receive only $200 worth of services.

Inappropriate services may be fostered by special reimbursements. Special funds for facilities without constraints have at time resulted in segregated facilities for handicapped children. The prospects for their eventual integration into regular programs is diminished. Church basements have been leased when facility support has been limited to rent. Transportation reimbursement laws tend to create some similar problems. Some laws fail to provide for capital outlay. This has resulted in contracting with taxi and bus companies resulting in insufficient service and the inability to obtain specially modified

equipment and facilitate the transportation of smaller groups of children. It would seem that, if transportation reimbursements are limited to costs incurred between home and school, important program activities involving travel to other locations, such as work-study programs, diagnostic services, and physical and other forms of therapy,will be denied.

States have made legal provision to support handicapped children in private schools when appropriate educational services are not available in public schools. Where the state has assumed the full tuition grant without requiring the participation of the local education agency, districts are relieved of an educational burden and, at the same time, are able to economize since they do not need to contribute to the child's education that sum which they would provide for a normal child. Therefore, there is no incentive to begin programs. The result is more and more children attending private schools and spiraling state costs.

A Reimbursement Pattern to Support the Needs of Children

Basic to the purpose of any educational funding system should be its concern for providing economic resources to back up the assessed individual needs of each child. Once that need is established, funds should be granted to support a delivery system that will meet a child's needs.

The pattern of categorical funding to a target population of children, such as the handicapped, for the support of programs tends to maintain an exclusive system when only handicapped children are eligible to receive special education services. Although special education services exist for categories of handicapped children, there is every reason to believe that, from time to time, "normal children" might benefit from special educational services from which they are presently excluded. The converse is already becoming a reality as more and more handicapped children are using the services provided in regular programming. The "normal"

child should be able to purchase appropriate services offered by special education.

Ultimately a continuum of special education services should be available for all children for as short or long a time as necessary when those services are deemed appropriate. However, until such time as the vulnerability of handicapped children in education is no longer an issue, funds should flow to handicapped children, rather than directly to programs and services, so that appropriate special educational services may be purchased.

COST OF EDUCATION IN THE LEAST RESTRICTIVE ENVIRONMENT

If handicapped children are to be educated in a least restrictive environment, the cost of educating handicapped children within the various delivery systems, which are intended to facilitate the least restrictive environment, should be assessed. Additional research is needed to understand the resource configuration and requisite costs of such delivery systems. The purpose for which the cost data is to be collected should dictate the specificity of the cost data that is required. New methodology has been proposed for examining costs.

The Groundwork

In 1970, Rossmiller, Hale, and Frohreich[30] conducted a National Educational Finance Project special study, which sought to determine cost differentials associated with educational programs for the various categories of exceptional children relative to the costs of the regular school program provided for "normal" children. The determination of relative costs and cost indices was based on the current practice of states and their local districts both regarded by authorities in special education as leading in the provision of educational programs for exceptional children. Cost data were gathered within

each district by specific educational programs for a given category of exceptionality and by programs for normal children. In order to provide comparable data, a uniform program cost and element format was developed which required the reconstruction of district cost data. The median cost index was used as the soundest basis for fiscal planning and forecasting, for it tends to reflect what might be termed average practice in those set of districts. The median cost index ranged from 1.14 for programs for the intellectually gifted to 3.64 for programs for the physically handicapped. Other studies have been conducted which tend to support that data. All studies show the great disparity between programs and wide differences between districts operating the same kind of program. At the time of the NEFP Study, most districts were operating self-contained programs.

Cost of Delivery Systems

With the trend now toward the mainstreaming of handicapped children, it would be advantageous to determine the differential cost of various delivery systems used within an identified category of exceptionality. Such studies should compare the costs of using the regular classroom, regular classroom with special consultant, regular classroom with itinerant teachers, regular classroom with resource room, part-time special education classroom, self-contained special education classroom, homebound hospitalized instruction and residential instruction. The resultant cost determinations would have implications for more effective financial planning and distribution of funds.

Clemmons[31] calculated median per pupil costs and cost indices according to different delivery systems within categories of exceptionality in a Minnesota sample. Median delivery system indices across all exceptionalities were:

(1) regular classroom with special consultant, 1.86;

(2) regular classroom with itinerant teacher, 1.50;

(3) regular classroom with resource room, 2.00;

(4) part-time special education classroom, 1.66;

(5) self-contained classroom, 1.67; and

(6) homebound or hospitalized instruction, 1.34

His evidence based on a limited sample was not conclusive, however, as to the delivery mode deemed the most efficient in terms of cost, but indicated that mainstreaming may be more expensive than many have predicted.

Several points should be kept in mind when planning research which examines differential costs. It may be wise to select school districts or programs on the basis of a predetermined standard of operation to avoid the inclusion of inefficient regular and exceptional programs. Per pupil costs will differ if pupil/teacher ratios, number of students needed to operate at maximum efficiency, cost/unit of professional personnel and other purchased services and material resources differ. Distinquish between those programs that are starting up and those that are ongoing, since the costs of implementation can greatly increase annual costs. In order to insure that cost data are collected uniformly and comparably, consider using a single individual or team of individuals to assist each district's cost accountant in transforming the district's traditional line-item budget or program budget format to the common program budget. The manner in which indirect costs are charged against regular and special programs can have a significant effect on the amount of excess cost and, subsequently, the size of the cost indices.

Cost studies should include preschool programs for handicapped children, since many states have directed local districts to operate such programs.

Specificity Required

A question arises as to the exactness of the required cost determinations. If all handicapped children are to be educated in their least restrictive environment then, in order to determine costs accurately in the professional accounting sense, it would require observing and recording the resource consumption of each individual exceptional child. Adding to the problem of accounting is the trend away from the conventional classroom to individualized student programs, various student grouping patterns, and differentiated staffs, that is, in a sense a flexible delivery system. This implies resource consumption that is different for each student. Under such conditions obtaining approximate costs for funding purposes may be sufficient for state planning and fiscal distribution purposes. Two methods have been developed recently to determine excess costs.

New Methodology

The Council for Exceptional Children convened the Airlie House Conference in 1973 in response to the growing interest in the use of the "excess cost" approach to reimbursing school districts and the growing awareness that no really precise concept exists of what constitutes excess cost. A step-by-step method was developed for determining excess costs by delivery system within categories of exceptionality, which included the assessment of student needs, the establishment of resource configurations, the isolation of individual cost components, and the computation of costs. Incidence rates, program alternatives, and price levels may be substituted by the user.[32]

Ernst and Ernst[33] proposed an accounting system model for computing the excess cost of special education based on a determination of the planned and actual use of resources and costs during each ten minutes of instruction, which collectively comprise a curriculum. Using

compiled information, variance from planned costs can be traced to changes in student enrollment, resource mix consumption, and price changes occurring during actual curricular operation. This model, however, was not designed to take cognizance of costs as they reflect future needs. As such, the system is more a management control tool than a planning aid. The cost of cost accounting both in time and money would be high, which raises a question as to the models cost-effectiveness.

Research Needs

Based on its review of the literature on the cost of special education, the Management Analysis Center recommended the following research needs posed in the form of questions:

(1) What is the relationship between the mix of resources utilized, costs for special education programs, and educational outcomes of the students served?

(2) What are the critical factors that affect costs?

(3) What are the simplest and least expensive means of isolating, recording, and monitoring special education expenditures?

(4) How can accounting systems that record past expenditures be used to estimate current and future costs? [34]

FEDERAL FUNDING AND NATIONAL GOALS

The role of the Federal Government in education has been a source of controversy. This role, however, has been exerted to achieve certain national goals. While the Federal Government will continue to increase funds for the education of the handicapped, it will be, in all likelihood, at an unpredictable rate, and there will be "strings"(in the form of assurances) attached to the receipt of such funds. Although the attachment of strings, as a condition for the receipt of federal funds, has been criticized, it is not without justification.

Role

The general welfare clause of the U.S. Constitution has been broadly interpreted to permit the Federal Government's participation in the field of education. Despite efforts to pass general purpose grant funding to states in order to supplement state and local school tax revenues and minimize Federal direction and control of the educational process, narrowly defined categorical grant programs have mushroomed. Since categorical grant programs have been justified as contributing to important national goals and assisting in the financing of selected high cost programs on a continuing basis, they will remain with use for some time. Educational finance specialists[35] have recommended the consolidation of continuing categorical aids into a few major blocks. The education of handicapped children is included as one major block. U.S. Education Commissioner Bell [36] had also singled it out as a Federal educational priority.

The Federal role, while not the dominant one, is catalytic in nature, that is, it encourages innovation and stimulates programs and services. Whereas previous "aid to the states" appropriations were $47.5 million in 1974 [37] and $99.6 million in 1975 [38], a recent bill introduced to the 94th Congress would increase the "aid to the states" entitlement to between $2 and 3 billion for educating handicapped children, the emphasis being on the development of programs for previously unserved handicapped children[39]. This history clearly establishes a pattern of Federal concern. U.S. Senators Harrison Williams and Robert Stafford have referred to this proposal as a "second generation" of Federal support for handicapped children. [40] The bill authorizes the payment of 75 percent of the excess cost for the education of handicapped children which is borne by the states in order to stimulate state services and programs.

Due to the scarcity of economic resources, this proposed massive allocation of funds from the Federal Government,however, will not be forthcoming at that level in the near future to bail out the states as they attempt to meet mandates for educating all handicapped children. The fiscal requirements of the states, nonetheless, are not going to disappear. As a consequence of the present state of the economy and the probability that additional funds may not be appropriated to the total educational budget for some time, numerous battles may be waged within the Federal and state educational communities for available funds. Under these conditions, any increase in legislative appropriations or administrative allocations to fund mandated programs for the handicapped may cause a reduction in appropriations or allocations to other educational programs. One battle already has been waged in Congress when an unsuccessful attempt was made at the close of the 93rd Congress by several House members to reduce funds from Federal impact aid to the states in order to increase the appropriations to the disadvantaged and handicapped.[41]

Oversight and Compliance

Those Federal funds that will be forthcoming to the states will continue to have "strings" attached to them. An examination of the language in Title VI-B of the Education Amendments of 1974 will attest to that. Although education is a function constitutionally reserved to the states, it is clear from the language in Title VI-B and its supporting regulations and in a filed Senate bill,entitled "The Education of the Handicapped Act", that the provision of an appropriate education for all handicapped children is now a national goal. Some assurances by states for receipt of these funds include:[42]

(1) a written policy guaranteeing a free appropriate public education for all handicapped children within 2 years from enactment;

(2) the establishment of a priority to use the funds for providing education to those presently unserved and those with the most severe handicaps;

(3) the maintenance by local education agencies of an individual written educational plan for each handicapped child that is annually reviewed and revised and jointly agreed upon by parent, the child when appropriate, teacher, and the local education agency;

(4) the use of due process procedures in decisions affecting the identification, evaluation, and educational placement of the child in the least restrictive environment - a placement which must not be culturally and racially restrictive;

(5) the use of evaluative instruments for placement that are administered in the childs primary home language or communication. (No single criterion may be used solely for educational placement);

(6) the agreement by the state to be responsible for carrying out the act and for its supervision;

(7) the establishment by the state of procedures for the development of a comprehensive system of personnel development and inservice training; and

(8) the guarantee to parents that children placed in private schools will be provided an education at no cost to them.

In all likelihood, rules and regulations, that will accompany this bill if it is enacted into law, will include a mechanism for monitoring the compliance of those states that elect to receive the funds. Legislative oversight is also becoming a more critical activity of the Congress.

There is some justification for Federal concern over the use of its funds. The Federal impact on behalf of handicapped children as a result of the 1968 Amendments to the Vocational Education Act exemplifies the reason for this concern. The 1968 Amendments provided that ten percent of funds going to each state under the basic matching grant program (Part B of the Amendments) were to be used for program "for handicapped persons, who because of their handicapping condition cannot succeed in the regular education program without special educational assistance or who require a modified educational program". [43]

In 17 states, there were virtually no differences between total expenditures for the handicapped and expenditures under the ten percent setaside program. In all but a few states, the differences were not significant.[44] A report of November 1973, prepared for the National Advisory Council on Vocational Education, states flatly that only 2.49 percent of total federal, state, and local vocational education funds were spent during the 1971-72 school year on handicapped persons, despite the fact that such children and youth are generally estimated to comprise ten percent of the public school age population.[45] A recent General Accounting Office Report submitted to the Congress found that the states failed to provide matching funds in any significant way as substantiated by the following findings:[46]

(1) An overall average of 11 percent was spent for the handicapped

(2) No state over a four-year period has supported efforts for the disadvantaged and handicapped to the same extent as its overall Part B program.

(3) While the nationwide average ratio of state and local funding for all Part B programs in fiscal year 1973 was $5.93 to $1.00, the ratio for programs serving the handicapped was only $1.10 to $1.00.

(4) In fiscal year 1973, 19 states spent fewer state and local dollars for every federal dollar for the handicapped than they had in fiscal year 1970.

(5) Some states, over a three-year period, have spent no state or local funds for the handicapped while continuing to receive federal assistance for such programs.

(6) In other states, state and local funding has been withdrawn as federal funding has increased.

U.S. Office of Education statistics show that the proportion of the handicapped enrolled declined relative to total enrollments from fiscal year 1971 to fiscal year 1973. During the same period, the federal portion of expenditures for the handicapped increased relative to total expenditure growth. From fiscal year 1972 to fiscal year 1973 enrollment of the handicapped declined in 15 states, despite increased expenditures.[47]

The legislative history attendant to P. L. 90-576, the Vocational Education Amendment of 1968, gave forceful emphasis to two factors:[48]

(1) that there be a broad range of vocational opportunities for the handicapped; and

(2) that vocational education facilities be so modified as to enable handicapped persons to receive vocational education along with their nonhandicapped peers.

The Council for Exceptional Children reviewed vocational education programs for the handicapped and found the vast majority to be self-contained and offering very limited vocational options.[49]

Congressional concern over the apparent resistance by states to achieving certain national goals is evident when one examines the conclusions that are drawn form the information provided above:

(1) the apparent failure of many of the states to "match-up" with their own resources in any significant manner;

(2) the correspondingly low percentage of total vocational education monies assigned to the handicapped;

(3) the obvious absence of a catalytic impact in the ten percent setaside for the handicapped;

(4) sliding enrollments concomitant with escalating federal expenditures;

(5) failure to integrate whenever possible handicapped and nonhandicapped vocational education programs;

(6) the absence in too many instances of a full range of vocational education opportunities; and

(7) the absence of coordinated. comprehensive planning toward the best utilization of resources for all.

CONCLUSION

Critical issues in the financing of education for the handicapped are traceable to three sources. First, the need for educational programs and services for the handicapped,who are unserved or inappropriately served,has been documented. Second, public policy related to the handicapped child's constitutional right to an education has been echoed in recent court decisions. Third, our present state of the economy necessitates the maximizing of resources consumed by education.

These conditions have generated critical issues relative to the level of state funding of programs and services, federal and state reimbursement formulas, the costs of special education for the handicapped, and the Federal Government's role in financing programs and services.

As issues related to the financing of special education for the handicapped are debated by the education and finance communities, the resolution of such issues should rest on:

(1) the immediate elimination of the practice by states of only partially funding the cost of educating a handicapped child concomitant with a careful auditing of the costs of educating such children in private institutions to which the state pays;

(2) the establishment of reimbursement patterns that promote the appropriate educational programming for the handicapped, that is, patterns that support the needs of the child and delivery systems to meet those needs.

(3) a need for research which differentiates the costs of various delivery systems that provide the least restrictive environment, and a reflection of those differential costs in reimbursement formulas, as a consequence of the emerging public policy; and

(4) the realization by states that the federal government's reimbursement to the state for educating the handicapped child will be increasing, but will not be great enough to bail the state out of the critical choices that must be made and educational priorities that must be set before allocating those available state resources.

FOOTNOTES

[1]U. S., Congress, Senate, A Bill to Provide Financial Assistance to the States for Improved Educational Services for Handicapped Children, S. 6, 93rd Cong., 1st Sess., 1973.

[2]Ibid.

[3]Kakalik, James; Brewer, Garry D.; Dougharty, Laurence A.; Fleischauer, Patricia D.; Genesky, Samuel M. and Wallen, Linda M., Services for Handicapped Youth: A Program Review, Santa Monica, Ca.: Rand Corporation, 1973, pp. 123-125.

[4]Ibid., pp. 123-125.

[5]Pennsylvania Association for Retarded Children v. Commonwealth of Pennsylvania, 334 F. Supp. 1257 (E.D. Pa. 1971).

[6]Mills v. Board of Education of District of Columbia, 348 F. Supp. 866 (D.D.C. 1972).

[7]Weintraub, Frederick J. and Abeson, Alan, "Appropriate Education for All Handicapped Children: A Growing Issue", 23 Syracuse Law Review 1056 (1973).

[8]Education of the Handicapped Amendments of 1974, Sec. 614, 88 Stat. 582 (1974), 20 U.S.C. 143.

[9]347 U.S. 483, 74 S. Ct. 686, 98 L. Ed. 873 (1954).

[10]Supra, note 5; Supra, note 6.

[11]Education Amendments of 1974, Sec. 801, 88 Stat. 597 (1974), 20 U.S.C. 1221-1.

[12]Supra, note 6 at 876.

[13]Supra, note 5; Supra note 6; Lebanks v. Spears, Civil Action No. 71-2897 (E.D. La. April 24, 1973).

[14]347 N.Y.S. 2d. at 273-274.

[15]340 N.Y.S. 2d. at 690.

[16]Abeson, Alan and Bolick, Nancy, A Continuing Summary of Pending and Completed Litigation Regarding the Education of Handicapped Children, Reston, Va.: Council for Exceptional Children, 1974, p. 30.

[17]RSA 186-A:1 (Supplement).

[18]RSA 186-A:7.

[19]RSA 186-A:8, VI (supplement), as amended in the 1974 Special Session of the New Hampshire Legislature.

[20]RSA 186-A:7.

[21]RSA 186-A:8, VI (supplement), as amended in the 1974 Special Session of the New Hampshire Legislature.

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[23]RSA 186-A:8, III (supplement).

[24]U. S., Congress, Senate, A Bill to Provide Financial Assistance to the States for Improved Educational Services for Handicapped Children, S. 6, 94th Cong., 1st Sess., 1975.

[25]Statement by the Honorable Frank C. Carlucci, Under Secretary of Health, Education and Welfare before the Subcommittee on the Handicapped, Committee on Labor and Public Welfare, United States Senate, June 17, 1974.

[26]Response by Richard A. Rossmiller, Professor of Educational Administration and Director of Research and Development Center for Cognitive Learning, University of Wisconsin - Madison, Wisconsin, to questions submitted by Senator Harrison Williams for the written record before the Subcommittee on the Handicapped, Committee on Labor and Public Welfare, United States Senate, June 24, 1974.

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[29]Weintraub, Frederick J.; Abeson, Alan R. and Braddock, David L., State Law and Education of Handicapped Children: Issues and Recommendations, Reston, Va.: The Council for Exceptional Children, 1972, pp. 64-65.

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[38]U. S. Congress, House, Supplemental Appropriations Act, Pub. L. 93-554, 94th Cong., 1st Sess., 1975, H.R. 16900.

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[40]S. 6, 93rd Cong., 1st Sess., 1973.

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